



SCOTTSDALE CITY COUNCIL AUDIT COMMITTEE

Public Meeting

January 11, 2005, 2:30 p.m.

Kiva Conference Room, First Floor, City Hall

3939 N. Drinkwater Blvd, Scottsdale, AZ 85251

AGENDA

CALL TO ORDER / ROLL CALL

MINUTES - Approval of December 10, 2004 Committee Meeting Minutes

GENERAL BUSINESS

1. Audit Reports

- a. **Discuss Police Property Room Audit Recommendations and Action Plan with City Manager and Chief of Police**
- b. **Discuss Immigration Reform and Control Act Audit**

2. Review Draft of Proposed Modifications to Article XIX of the City Code dealing with the disposition of allegedly stolen property

3. Discussion on the Development of Audit Plan for 2005 and initiation of work

4. Initiate Discussion on Performance Measures for Office

PUBLIC COMMENTS

COMMITTEE COMMENTS

ADJOURNMENT



Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the City Clerk's office at (480) 312-2412. Requests should be made as early as possible to allow time to arrange accommodation.

**Audit Committee
Meeting Minutes
December 10, 2004**

**Kiva Conference Room, City Hall
3939 North Drinkwater Boulevard
Scottsdale, AZ 85251**

Members Present: Councilman Ecton
Councilman Lane
Councilman Littlefield

City Staff Present: Cheryl Barcala, City Auditor
Natalie Lewis, Assistant to the Mayor and City Council

The meeting was called to order at 2:35 p.m.

Minutes of the December 7, 2004, Audit Committee Meeting were approved.

General Business:

Item 1 – The Audit Committee requested to receive draft copies of audit reports in the future, so that they can review them prior to meeting with the City Auditor. Individual input can be provided to Ms. Barcala as necessary. She will contact other Councilmembers regarding the report if deemed appropriate. The Audit Committee will meet and the report will be considered final at that point. It was agreed that the Ordinance on audit report extension be updated to allow the Auditor the option of extending management response time by 15b days, and the Audit Committee will have the option of extending the deadline an additional 30 days. For extensions over 45 days, City Council approval will be required.

Item 2a – The Audit Committee discussed the Police Department Property Room Audit and the update provided by Helen Gandara-Zavala. Ms. Barcala identified four specific items as priority for follow-up by management. They include item 1, 8, 9 and 24 of under the Action Plan of the Police Department Property Room Audit. The complexity of the process will warrant careful staging to complete item 1 and will take time, but is critical to address. It was suggested that the timing of item 24 coincide with the implementation of item 1, since there must be an updated Ordinance to follow in order to correctly proceed. It was decided that the Committee would write a letter to the City Manager requesting a higher priority review of the redraft of the Ordinance for unclaimed property.

Item 2b –The length of the reports was discussed. Councilman Ecton would like to see the reports shorter, while Councilmen Lane and Littlefield would like to see them continue to include all pertinent information, trying to minimize when possible.

Item 2c– The Audit Committee requested that Ms. Barcala keep it informed regarding the need for an expansion of report testing. She mentioned that the Safety Audit will need more time for completion, and an additional week was granted for this purpose.

Item 3 – Items 5, 6 and 11 of the 2002/03 Audit Plan have not yet been completed. Ms. Barcala was advised to pursue the Asset Management Audit first and work on the Risk Management and the Controls Over the Use of Overtime Audits as part of the 2005 Plan, to be discussed at the next meeting.

Item 4 – This item will be placed on the next Audit Committee Meeting Agenda.

Item 5 – The Audit Committee approved the recruitment of the open Auditor's position in the Office with focus on hiring a general auditor versus an IT auditor.

Item 6 – It was noted that the department is currently \$5,000 under budget year-to-date, and that the vulnerability assessment decision package for the 2005/06 fiscal year should be a priority request.

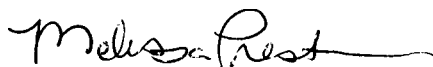
Public Comments – None.

Committee Comments – The next meeting will occur during the first week of January, as the Immigration Act Audit will be completed and ready for review.

Meeting adjourned at 5:20 p.m.

Respectfully submitted,

Melissa Preston





Office of the City Auditor

Immigration Reform and Control Act Compliance Audit Report No. 0405

December 21, 2004

Procedures provide reasonable assurance that the City will comply with requirements to verify eligibility and identity prior to hire. Establishing written procedures and providing periodic training to employees responsible for the completion of documentation will improve compliance.

CITY COUNCIL

Mayor
Mary Manross

Council
Betty Drake
Wayne Ecton
W.J. "Jim" Lane
Robert Littlefield
Ron McCullagh
Kevin Osterman

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**Office of the
City Auditor**

7440 East First Avenue
Scottsdale, AZ 85251

PHONE 480-312-7756
FAX 480-312-2634
WEB www.scottsdaleaz.gov

December 21, 2004

To the Most Honorable Mary Manross, Mayor
and Members of the Scottsdale City Council

Transmitted herewith is a report on compliance related to the Immigration Reform and Control Act. Staff in Human Resources was very cooperative during our audit and we would like to thank them for their assistance.

If you need additional information or have any questions, please contact me at 480-312-7756.

Respectfully submitted,

Cheryl Lee Barcala

Cheryl Barcala, CPA, CIA, CFE, CGFM, CISA, CISSP
City Auditor

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EXECUTIVE SUMMARY

Procedures, currently in place, provide reasonable assurance that the City will comply with the Immigration Reform and Control Act of 1986 (Act). An Employment Eligibility Verification Form (I-9 Form or I-9) could be presented for all 190 employees in our sample hired between January 2000 and October 2004. Out of the entire sample of 400 employees, all but 54 I-9s could be presented; all missing forms related to employees hired before 1999.

The Human Resources Department (HR) was aware, before our audit, that I-9 Forms have not been retained for some employees. Internal file reviews conducted in 2002 and 2003 identified the situation and an action plan has been prepared to address the issue. As part of the actions taken, the need for additional training was identified and clarification on the requirements for retention was obtained. HR staff also identified the need to implement a tracking system to monitor work authorizations that expire and situations in which an employee may submit a receipt to prove that documents have been requested but must still present the originals.

Our audit validates the work completed by HR staff and supports the need for additional training. Of 346 I-9 Forms reviewed, we found multiple instances in which I-9s were not completed accurately. Trend analysis substantiates a conclusion that the volume of errors has reduced in more recent years, but 17 percent of the I-9s reviewed for 2003 and 2004 had information such as hire date or date completed missing from Part 2 of the I-9 Form. Correspondingly, 24 percent of the I-9s reviewed for 2004 had information missing from Part 1 and 16 percent of the I-9s reviewed for 2003 had similar errors.

Finally, while testing supports a conclusion that the risk of continuing to hire an employee with an expired work authorization is low, we did find one employee, out of the 346 I-9 Forms presented, in which the work authorization had expired and no re-verification was made.

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Action Plan

No.	Recommendations and Management Response
	The General Manager of Human Resources should direct staff to:
1	<p>Develop a training program that can be used to train employees that will be responsible for ensuring completion of the I-9 Form or for updating existing I-9 Forms. As part of this training program:</p> <ul style="list-style-type: none"> a. Educate employees on the requirement that documents must meet the criteria set out for compliance. b. Educate employees on the importance of ensuring that the I-9 Form be filled out properly. c. Provide an appropriate amount of training in the detection of fraudulent documents. d. Develop and provide a reference guide that includes the instructions, current list of acceptable documents, and other guidance published by Immigration Services as well as examples of acceptable/unacceptable documents. <p>Management Response: Agree/Completed. Human Resources staff has developed a comprehensive training program, as outlined above.</p> <p>Responsible Party: Human Resources Completed By: Completed/Ongoing</p>
2	<p>Develop and implement a tracking system that will serve to timely identify employees whose work authorization will expire and those employees that present receipts instead of original documents and implement procedures sufficient to ensure that documentation is obtained before either the expiration of the work authorization or the period allowed to obtain documentation.</p> <p>Management Response: Agree/Completed. Human Resources staff has thoroughly reviewed and revamped the procedures for tracking timely identification of employees whose work authorization will expire. This includes development of a database to more accurately track the data. In addition, staff training now includes resources that can be referenced at the point of intake to address authenticity concerns relative to the various documents which may be presented by the employee at that time.</p> <p>Responsible Party: Human Resources Completed By: Completed/Ongoing</p>
3	<p>Modify the information presented in the New Employee Handbook to include the instructions from CIS, an I-9 Form that includes the required boxes, and an updated list of acceptable documents.</p> <p>Management Response: Agree/Completed. Human Resources staff has incorporated the instructions and a revised form into the 2005 New Employee Workbooks, which addresses these concerns.</p> <p>Responsible Party: Human Resources Completed By: Complete/Ongoing</p>

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No.	Recommendations and Management Response
4	<p>Develop and document policy and procedures for completion of I-9 Forms. At a minimum, include:</p> <ul style="list-style-type: none">a. Clarification as to when I-9 Forms will be updated (e.g., if a new I-9 will be requested when an employee transitions from part-time to full-time or job-share status).b. Procedures for updating the I-9 Form when an employee's name changes.c. Procedures for retaining documents and destroying those no longer needed.d. Procedures for following up and obtaining documentation when:<ul style="list-style-type: none">i) A receipt is provided at time of hire.ii) When work authorization is temporary. <p>Management Response: Agree/Completed. Human Resources staff has thoroughly reviewed the document policy and procedures for completion of I-9 Forms and implemented new practices, including establishing a comprehensive I-9 Program Maintenance and Tracking Process.</p> <p>Responsible Party: Human Resources Completed By: Complete/Ongoing</p>
5	<p>Expand the internal audit process to include a review of I-9s completed during the previous year to identify situations in which re-training may be necessary.</p> <p>Management Response: Agree/Completed. Human Resources staff has incorporated the I-9 requirements into our annual internal audit of files, which will allow for identification of systematic issues that can be addressed through additional training. Re-training opportunities will also be identified on an annual basis to ensure compliance with I-9 requirements and/or changes to the law. Human Resources staff will incorporate applicable changes to provide continuous improvement.</p> <p>Additionally, implementation of the Program Maintenance and Tracking Process will ensure a thorough review of the I-9 Forms received for completeness and accuracy; if deemed unacceptable, forms will be returned to the intake agent for correction and/or related follow through with the employee. Patterns or trends observed by staff will be noted and supplemental or periodic review training sessions will be conducted as indicated.</p> <p>Responsible Party: Human Resources Completed By: Complete/Ongoing</p>

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BACKGROUND

The Act requires employers to verify identity and employment eligibility as a means of ensuring that persons hired can legally work in the United States. Requirements became effective for individuals hired after November 6, 1986. The City must ensure that, no later than three days from the hire date, an I-9 Form is completed for every new hire. As part of this process, a City representative must examine either 1) a document that verifies identity and employment eligibility (e.g., a U.S. Passport) or 2) one document that verifies identity and one document that verifies eligibility to work (e.g., a driver's license and an original [or certified copy] of a birth certificate).

The I-9 Form, the instruction page that provides guidance on requirements, and a list of acceptable documents is to be provided to the new hire. The employee completes Part 1 of the I-9 and chooses the documents to be provided. The City representative reviews Part 1 to ensure that it is properly completed, reviews the documentation for acceptability, and completes Part 2.

The employee has the sole discretion when selecting the documents that will be presented as long as 1) the documents are originals and 2) they meet the criteria set out. The City cannot refuse to accept certain documents or demand to see a document that is not presented. However, the City must refuse documents that do not appear to be genuine as well as those that do not appear to relate to the employee being hired. If the employee cannot provide the appropriate documentation at the time of hire, a receipt may be presented to evidence that a request has been made. The employee then has ninety days to present the documentation.

After completion, the I-9 Form must be retained for the period of employment plus one year after termination but no less than three years. The I-9s must be produced at the request of the United States Citizenship and Immigrations Services Bureau (CIS). The Act provides for at least three days advance notice of an inquiry but does not preclude the use of other means to compel presentation of the documents in a shorter time period.

Anti-discrimination and miscellaneous rules

The Act prohibits employment discrimination. The City cannot require certain documents in order to ensure that only United States citizens are hired. Similarly, the City cannot refuse to hire someone who presents correct documents that expire at a future date to avoid the administrative tasks required to follow up and re-verify employment eligibility.

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This means that processes must be in place to ensure that all individuals are treated the same when completing the I-9 Form. For example, the point in time in which the I-9 is completed must be the same for all employees. As well, if the City requires an employee to update the I-9 Form when transitioning from part-time to full-time, all employees in the same situation must be required to complete an updated I-9.

The Act does not require the City to make copies of documentation presented when completing the I-9 Form nor does it prohibit it. If, however, a decision is made to make copies, the process must ensure that all employees are treated in the same manner. Similarly, the Act does not require the City to obtain documentation for employees hired before November 1986. If, however, the City elected to undertake this effort, documentation must be requested for all employees hired before this date.

Penalties for Non-Compliance

The Act is known as an employer sanctions law because it imposes penalties when correct documentation is not reviewed or in situations in which the required I-9 Form cannot be presented. It also provides for the imposition of sanctions when employers discriminate against persons who have correct employment authorization but are not United States citizens.

If a non-eligible employee is hired, civil monetary penalties of not less than \$250 but not more than \$2,000 for the first offense, not less than \$2,000 but not more than \$5,000 for the second offense, and not less than \$3,000 but not more than \$10,000 for subsequent offenses may be imposed. Each fine is applicable to each unauthorized individual employed. If the required I-9 Forms are not retained or not made available for inspection as required by law, monetary penalties of not less than \$100 but not more than \$1,000 for each employee for whom the I-9 was not made available and/or properly retained, may be imposed.

Employees who use fraudulent identification for the purposes of satisfying employment eligibility may be fined or imprisoned up to five years, or both.

Practices at the City and Monitoring Efforts

To ensure compliance, HR has incorporated the completion of the I-9 into the new employee orientation process. The I-9 Form and list of acceptable documents is included in the New Employee Handbook and instructions tell the employee to complete the I-9 and bring documentation to the orientation. A staff person in HR reviews the I-9 Form and documents submitted and completes Part 2. There is an exception to this process; Supervisors in the

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Parks and Recreation Division of the Community Services Department conduct the orientation for some of the Parks and Recreation staff.

If an employee does not present acceptable documentation at the orientation, the City representative instructs the employee that it must be presented by 5 p.m. on the third day of his/her employment or he/she will be unable to return to work. A written notice is also sent to the employee and the department head using the City's e-mail system.

At HR, the I-9 Form is kept in a centralized file room that has restricted access. The I-9s are filed separately from the personnel folder to facilitate review and presentation if a request is made. The originals are filed alphabetically in folders separated according to the alphabet. If an employee is terminated, the I-9 is removed and put in a three-ring binder kept by year of termination. Similarly, if a name change is submitted, the I-9 is pulled, the new name noted on the I-9 Form, and re-filed under the new last name.

In the later part of 2001, HR management staff initiated a review of the process in place to track the receipt of the I-9. As part of this internal review, it was discovered that many I-9 Forms had been destroyed. In 2002, a comprehensive file room audit was initiated and in 2003 the audit was finalized. At the conclusion of this effort, a project plan was put together to obtain missing I-9 Forms. Changes in staffing, however, delayed the completion of the project and in January 2004 another file room audit was completed to update the list of employees without correct documentation. In February 2004, the project was re-assigned with a revised project plan drafted. Current plans project the completion of the project prior to December 2004. As part of the process, HR staff is re-training personnel in Parks and Recreation. As well, reference sheets, noting acceptable types of identification, will be provided to staff undertaking the responsibility to ensure that the I-9 is completed properly. Finally, retention requirements have been clarified and the Human Resources Retention Schedule has been updated to include the required time period.

Other than the internal reviews conducted by HR staff, no other process review or audit has been completed.

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OBJECTIVE: Determine if the City is in compliance with requirements to verify eligibility and identity prior to hire.

Finding: Procedures provide reasonable assurance that the City will comply with requirements to verify eligibility and identity prior to hire. Establishing written procedures and providing periodic training to employees responsible for the completion of documentation will improve compliance.

Criteria: A properly completed I-9 Form should be presented for each current employee hired after November 6, 1986. To be considered properly completed, Part 1 should contain all required information with the signature of the employee and date. Part 2 should outline the documents reviewed, contain the date of hire, and evidence the signature of the City representative reviewing the documents and the date reviewed. Documents listed should meet the criteria set for acceptable documents and list the expiration date, if any. If work authorization has expired, the I-9 should be updated or a new I-9 should be included with current work authorization.

To facilitate any reviews, I-9 Forms should not be kept in personnel files. If photocopies of documentation are maintained, this requirement should be consistently applied to protect against a potential discrimination claim.

According to federal law, both sides of the I-9 Form must be photocopied when an employer reproduces a blank I-9 so the employee has knowledge of the types of acceptable documentation. As well, the instruction page is to be provided to the employee during completion of the I-9 Form.

Condition:

Compliance with requirements as it relates to provision of information

We reviewed the documents provided to the employee at the point of hire to ensure that all information required to be made available, was included in the Workbook. The information includes the I-9 Form and the list of acceptable documents. It does not, however, include the instructions on how to complete the I-9 Form. The Handbook instructs employees to complete Part 1 of the I-9 prior to orientation. As a result, the employee is placed in a situation that requires them to fill out the I-9 without having access to the instructions.

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Retention of required I-9 Forms

We selected a random, stratified¹ sample of 400 current employees hired subsequent to the date the requirement came into effect. The sample consisted of 78 employees hired in calendar years 2003 and 2004, 146 employees hired in calendar years 1999 through 2002, 125 employees hired in calendar years 1992 through 1998, and 51 employees hired between November 1986 and December 1991.

For the 51 employees hired prior to 1992, only 4 I-9s could be located. Three of these were dated in 1995 or later and one was not dated. For the 125 employees hired between 1992 and 1998, 119 I-9 Forms could be located. For the period 1999 through 2002 all but one I-9 could be located. All 78 I-9s for employees hired in 2003 and 2004 could be located. All employees without I-9 Forms in the file had already been identified by HR staff and included on a list for follow up.

Presence of all required information

We reviewed I-9s to verify that all required information was present. We looked for employee information, signature, date, and evidence of the documents reviewed. We also looked for signature of the employee conducting the review, the date completed, and the hire date. Of the 346 I-9 Forms reviewed, 78 were from 2003 and 2004 and 268 were from November 1986 through 2002.

Of the 78 selected from 2003 and 2004:

- 16 did not contain all the information required for Part 1
- 8 did not list the hire date
- 4 did not have the date the I-9 was completed by the City representative
- 1 was not signed by the City representative

Of the 268 selected between 1986 and 2003:

- 50 did not contain all the information required for Part 1
- 79 did not list the hire date
- 19 did not have the date the I-9 was completed by the City representative
- 7 were not signed by the City representative

¹ Stratification ensured that the sample reflected the population of current employees.

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All 346 I-9 Forms included information about the documents reviewed. Information, however, was not consistently recorded in the correct columns and documents did not consistently include all the required information (i.e., details such as the issuing authority would not be listed).

In two instances, documentation listed did not meet the guidelines for acceptable documents (i.e., one Type A or one Type B and one Type C). In both cases, the documentation listed met the requirements considered "Type B" but did not satisfy the "eligible to work" criterion.

In one case, the I-9 listed a "Type A" document as a "Type C" document. If the document had been properly recorded, there would have been no need to list the second document.

Current work authorization

In one situation, the work authorization provided by the employee listed an expiration date. In this circumstance, the City was required to follow up and verify that the employee obtained current work authorization no later than the date the employee's work authorization expired. This action did not occur and staff in HR acknowledged that a process is not in place to track any situation in which work authorizations expire.

Cause:

Missing documents

Based on review of information, the lack of documents for the period prior to 1992 appears to be the result of a misunderstanding in the requirements set for record retention. Evidence supports two purges of documents (one for all employees hired prior to May 1989 and one for all employees hired prior to 1992) using an interpretation that documents were required to be kept for three years after date of hire. Past practice has been to obtain new I-9s during the employee orientation process if an existing employee transitioned from a part-time position to a full-time position. As a result, there are employees with hire dates that fall into the time period covered by the purging, but with I-9 Forms on file.

Incomplete, missing, or incorrect information

The verification of information and completion of the I-9 is handled now and in the past by several employees (Benefits Representatives and departmental staff, for example) and training provided to these individuals has not been sufficient to ensure that I-9 Forms are correctly filled out. As well, HR staff acknowledged that these employees have not received training on how to determine if a document is "genuine" so that the employee would be

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somewhat knowledgeable when reviewing documents. Without adequate training, staff may not understand nuances sufficiently well enough to be able to spot documents that are not genuine or make the distinction between which documents serve as proof of identity and those required for proof of employment eligibility. Baseline knowledge of these elements is an important component in compliance as the I-9 Form contains a certification statement to the effect that the employer representative "examined the documents listed... and they appear to be genuine."

Many I-9s were not considered complete because there was no response to a statement regarding employment eligibility. This situation exists because the I-9 included in the New Employee Workbook does not incorporate the boxes that need to be checked. As a result there is nothing to visually highlight the need for the response.

Finally, management has focused on ensuring that I-9 Forms are obtained. This oversight function is only one part of an effective monitoring function and must be combined with steps that periodically gauge the level of compliance as it relates to ensuring that I-9 Forms are completed properly.

Lack of current work authorization information

HR has not implemented a tracking process to identify situations in which information needs to be updated to ensure that employees continue to have appropriate authorization to work.

Effect: The City may not be able to mount a good faith defense should a question arise regarding compliance with requirements. According to instructions contained within the "Handbook for Employers," a good faith defense against the imposition of penalties requires the following:

1. Ensuring that employees fully and properly complete Part 1 of the I-9 Form at the time of employment.
2. Reviewing documentation to obtain reasonable assurance that the documents presented are genuine.
3. Ensuring that Part 2 is fully and properly completed and signed/dated by the employee completing the certification.
4. Retaining the I-9 Forms for the period required by law.

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Recommendations:

1. Develop a training program that can be used to train employees that will be responsible for ensuring completion of the I-9 Form or for updating existing I-9 Forms. As part of this training program:
 - a. Educate employees on the requirement that documents must meet the criteria set out for compliance.
 - b. Educate employees on the importance of ensuring that the I-9 Form be filled out properly.
 - c. Provide an appropriate amount of training in the detection of fraudulent documents.
 - d. Develop and provide a reference guide that includes the instructions, current list of acceptable documents, and other guidance published by Immigration Services as well as examples of acceptable/unacceptable documents.
2. Develop and implement a tracking system that will serve to timely identify employees whose work authorization will expire and as well as those employees that present receipts instead of original documents, and implement procedures sufficient to ensure that documentation is obtained before either the expiration of the work authorization, or the period allowed to obtain documentation.
3. Modify the information presented in the New Employee Handbook to include the instructions from CIS, an I-9 Form that includes the required boxes, and an updated list of acceptable documents.
4. Develop and document policy and procedures for completion of I-9 Forms. At a minimum, include:
 - a. Clarification as to when I-9 Forms will be updated (e.g., if a new I-9 will be requested when an employee transitions from part-time to full-time or job-share status).
 - b. Procedures for updating the I-9 Form when an employee's name changes.
 - c. Procedures for retaining documents and destroying those no longer needed.
 - d. Procedures for following up and obtaining documentation when:
 - i) A receipt is provided at time of hire.
 - ii) When work authorization is temporary.
5. Expand the internal audit process to include a review of I-9s completed during the previous year to identify situations in which re-training may be necessary.

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SCOPE AND METHODOLOGY

The objective of this audit was to determine if the City is in compliance with requirements set under the Act as amended. The scope was limited to verifying compliance with requirements under the Immigration Reform and Control Act of 1986 and the review of internal control was limited to procedures that would function as control activities for compliance.

To complete the work, we reviewed documentation prepared by the U.S. Department of Justice setting out the criteria for compliance and interviewed staff in HR. We selected a random, stratified sample of employees hired subsequent to the effective date and pulled I-9 Forms from the files maintained by HR. When an I-9 could be located, information on the I-9 was reviewed to determine the level of compliance with requirements for all appropriate sections to be completed. We also verified that the documentation listed appeared to fall into the categories of acceptable documentation. At the conclusion of the test, questionable I-9s were reviewed with HR management to obtain further clarification.

Audit work was conducted in accordance with generally accepted government auditing standards as they relate to expanded scope auditing in a local government environment and as required by Article III, Scottsdale Revised Code, Section 2-117, *et seq.* Audit testing was completed during the month of October 2004 by Cheryl Barcala and Gail Crawford.

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APPENDIX A

MANAGEMENT RESPONSE

MEMORANDUM

December 21, 2004

TO: Cheryl Barcala, City Auditor
FROM: Joyce Lira, Human Resources Director
Cyndi Coniam, Benefits and Administration Manager
RE: I-9 Compliance Audit 2004

The attached action plan is in response to the City Auditor's I-9 Program draft audit for compliance under the Immigration and Control Act of 1986 ("Act"). This Act requires all employees hired after Nov. 6, 1986 to provide, for inspection upon hire, original documentation establishing identity and eligibility to work in the United States.

Prior to and concurrent with the audit, HR initiated compliance reviews, process improvements and staff training to ensure ongoing compliance. We appreciate the additional suggestions that the City Auditor's office has made to further ensure our obligations under the Act. Most specifically, HR staff has concentrated on the following objectives:

- Improving the quality of the I-9 process to ensure all appropriate forms are fully complete and accurate and comply with dates as established by the Act;
- Providing for a systematic reverification process for those city employees with expiring eligibility status; and
- Establishing procedures for maintenance and destruction of I-9 information.

Thanks for your continued assistance to Human Resources throughout the audit. We are in agreement with the recommendations and pleased to report that all of the above objectives are implemented.

C: Jan Dolan, City Manager
Neal Shearer, Assistant City Manager

ORDINANCE NO. XXXX

AN ORDINANCE OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA RELATING TO THE DISPOSITION OF PROPERTY AND AMENDING CHAPTER 16, LICENSES, TAXATION AND MISCELLANEOUS BUSINESS REGULATIONS, SECTIONS 16-592 AND 16-601, AND DELETING SECTIONS 16-604 AND 16-605 TO ACCOMPLISH THIS PURPOSE.

BE IT ORDAINED by the Council of the City of Scottsdale as follows:

Section 1. Chapter 16, Licenses, Taxation and Miscellaneous Business Regulations, Article XIX of the Scottsdale Revised Code is hereby amended as follows:

Article XIX. DISPOSITION OF ALLEGEDLY STOLEN PROPERTY

Section 2. Chapter 16, Licenses, Taxation and Miscellaneous Business Regulations, Section 16-592 of the Scottsdale Revised Code is hereby amended as follows:

Sec. 16-592. Scope.

- (a) Property which is in the possession of the Scottsdale Police Department and which has any ALL of the characteristics set forth in section 16-593 of this Code shall be disposed of pursuant to this article.
- (b) Property which is in the possession of a business regulated by ARTICLE IX OF chapter 16 of this ~~section~~CODE and which has characteristics (b) through (e) of section 16-593 of this Code, ~~is hereby declared surplus and may be disposed of pursuant to this article.~~

Section 3. Chapter 16, Licenses, Taxation and Miscellaneous Business Regulations, Section 16-601 of the Scottsdale Revised Code is hereby amended as follows:

Sec. 16-601. Release of Seized Property

- (a) Any person prevailing in a hearing or uncontested proceeding convened pursuant to this article shall be entitled to receive the property described in the petition after producing a copy of the decision in the claimant's favor, and appropriate identification ~~to the property's custodian.~~
- (b) No property may be released pursuant to this section until the expiration of twenty (20) calendar days from the date of the hearing officer's decision.
- (c) ~~Any property not claimed within ninety (90) days of the hearing officer's decision will become the property of the city.~~

Section 4. Chapter 16, Licenses, Taxation and Miscellaneous Business Regulations, Section 16-604 of the Scottsdale Revised Code is hereby deleted.

~~Sec. 16-604. Destruction of unclaimed property.~~

~~After the expiration of the period provided for in section 16-601(c), articles of no monetary worth which are not needed for prosecution may be summarily destroyed. After the expiration of the periods provided for in section 16-601(c) all remaining unclaimed property which is not needed for prosecution and which is deemed to be of~~

~~limited value or which is a thing which is commonly not the subject of sale, except firearms, may be destroyed by the police department. All unclaimed firearms, regardless of value, shall be disposed of pursuant to section 16-605.~~

Section 5. Chapter 16, Licenses, Taxation and Miscellaneous Business Regulations, Section 16-605 of the Scottsdale Revised Code is hereby deleted.

~~Sec. 16-605. Disposition of unclaimed and forfeited firearms.~~

- ~~(a) Except as provided in subsection (b) of this section, the police department shall dispose of any firearm that comes into its possession and that is not needed for evidence by destroying the firearm after the expiration of the claim periods provided for in section 16-601(c) or after a court orders the firearm forfeited to the city, whichever is applicable.~~
- ~~(b) The police department may dispose of any firearm after the expiration of the claim period provided for in section 16-601(c) or after the court orders the firearm forfeited to the city, by any of the following:~~
 - ~~(1) Use any firearm for the police department's own purposes.~~
 - ~~(2) Sell, lend or transfer any firearm to any local, state or federal law enforcement agency with expenses for keeping and transferring the firearm to be paid by the recipient.~~
 - ~~(3) Sell, lend or transfer any firearm to a museum as part of its collection or to an educational institution for education purposes.~~
 - ~~(4) Sell at public auction or trade any firearm that is a rare or collector quality firearm, as determined by the police department in its sole discretion.~~
- ~~(c) For purposes of this section, "firearm" means any pistol, revolver, rifle, shotgun or other weapon which will or is designed to or may readily be converted to expel a projectile by the action of an explosive, including weapons in a permanently inoperable condition.~~

ARTICLE XIX. DISPOSITION OF PROPERTY

Sec. 16-592. Scope.

- (a) Property which is in the possession of the Scottsdale Police Department and which has any of the characteristics set forth in section 16-593 of this Code shall be disposed of pursuant to this article.
 - (b) Property which is in the possession of a business regulated by chapter 16 of this section and which has characteristics (b) through (e) of section 16-593 of this Code, is hereby declared surplus and may be disposed of pursuant to this article.
- (Ord. No. 3002, § 1, 10-21-97)

Sec. 16-593. Property included.

- (a) The property has come into the possession of the Scottsdale Police Department.
 - (b) The city has reason to believe that the property has been stolen.
 - (c) No Arizona court has before it a petition against a suspect alleged to have stolen the property.
 - (d) Two (2) or more persons are known or believed to have made, or can reasonably be anticipated to make, a claim for possession of the property.
 - (e) The city makes no claim to possession of the property.
 - (f) The property will not be required to be retained for use as evidence in any legal proceeding other than the hearing under this article.
- (Ord. No. 3002, § 1, 10-21-97)

Sec. 16-594. Initiation of petition.

The police department shall file a petition with the hearing officer which shall set forth the following:

- (a) The facts establishing compliance with the requirements of section 16-593.
 - (b) The name and address of each person described in section 16-593(d) above.
 - (c) An accurate description of the property, any identifying marks or serial numbers, the police identification number(s), and, if applicable, the location where seized, and the person from whom seized.
- (Ord. No. 3002, § 1, 10-21-97)

Sec. 16-595. Service of the petition; notice of hearing.

- (a) The petition shall be served by first class mail, postage prepaid, return receipt requested, upon all persons known to have an interest in the property, each person described and named in section 16-593(d) and section 16-594(b) above and from the person from whom the property was obtained if a seizure has been made.
- (b) A copy of this article shall be served with each petition.
- (c) There shall be served with the petition and copy of this article a notice of hearing setting forth the date, time and place for the conduct of the hearing to determine the right of possession of the property, which hearing date shall not be sooner than twenty-five (25) nor more than sixty (60) calendar days after the date of service of the petition and notice.
- (d) Service shall be made to the last known address of all persons included in subsection (a) of this section.

(e) Service shall be complete upon receipt, if return receipt is made; if no receipt is made, service will be complete upon mailing.

(f) Proof of service upon each potential claimant shall be delivered to the hearing officer.

(Ord. No. 3002, § 1, 10-21-97)

Sec. 16-596. Claimant's rights.

(a) Any person claiming an interest in the property shall be known as a respondent.

(b) A respondent or any other person claiming any ownership interest of any kind, or possessory right to the property, shall have the right to appear at the hearing and to present any and all evidence in support of such person's claim to the property.

(c) Except as provided in section 16-597(b) of this article, the failure of any person to appear at such hearing shall constitute a waiver of any claim to the property by such person against the city, and shall authorize the hearing officer to enter a ruling consistent therewith.

(Ord. No. 3002, § 1, 10-21-97)

Sec. 16-597. Conduct of hearing.

(a) The hearing shall be conducted informally and the technical rules of evidence shall not apply, provided that the decision of the hearing officer shall in all cases be based upon substantial and reliable evidence. All parties shall have the right to be represented by counsel, to present evidence and testimony in support of their position, and to cross-examine adverse witnesses. All witnesses shall be placed under oath before testifying.

(b) The burden of proof shall be at all times upon the person or persons challenging the possession of the regulated business, or the party from whom the property was taken by the police department, even if the regulated business or the party from whom the property was taken does not appear at the hearing. All respondents are required to bring an original and one (1) copy of all documentary evidence, and all correspondence, other documents exchanged with any insurance carrier or other person regarding reimbursement for the property.

(c) The hearing shall be recorded electronically or by other means.

(d) The hearing shall be open to the public.

(e) The decision of the hearing officer shall be issued within ten (10) calendar days of the close of the record. The decision shall be in writing, and shall be mailed postage prepaid to each respondent or claimant appearing.

(f) The decision of the hearing officer shall be final upon issuance.

(Ord. No. 3002, § 1, 10-21-97)

Sec. 16-598. Hearing continuance.

The hearing officer may grant no more than two (2) continuances, on good cause shown, with not less than three (3) calendar days notice to the city and all claimants.

(Ord. No. 3002, § 1, 10-21-97)

Sec. 16-599. Judicial review.

Any respondent or other party participating in the hearing who is aggrieved by the decision of the hearing officer may seek judicial review by a special action proceeding in superior court.

(Ord. No. 3002, § 1, 10-21-97)

Sec. 16-600. Hearing officer.

All petitions filed pursuant to this article shall be assigned to and considered by a hearing officer designated by the city manager. Such hearing officer or designee shall in no event be an employee of the police department.

(Ord. No. 3002, § 1, 10-21-97)

Sec. 16-601. Release of seized property.

(a) Any person prevailing in a hearing or uncontested proceeding convened pursuant to this article shall be entitled to receive the property described in the petition after producing a copy of the decision in the claimant's favor, and appropriate identification to the property's custodian.

(b) No property may be released pursuant to this section until the expiration of twenty (20) calendar days from the date of the hearing officer's decision.

(c) Any property not claimed within ninety (90) days of the hearing officer's decision will become the property of the city.

(Ord. No. 3002, § 1, 10-21-97)

Sec. 16-602. Release of unseized adjudicated property.

(a) In addition to any other manner of seizure authorized by law, any peace officer of the Scottsdale Police Department may seize the property from the regulated business in possession of the property upon the hearing officer's order that a respondent other than the regulated business has the greater claim to possession of the property.

(b) A receipt identifying the property, the peace officer involved in the seizure, and the date of the seizure shall be given to any regulated business from whom property is seized pursuant to this section.

(c) The property, upon its seizure by the police department pursuant to this section, will be given to the respondent prevailing at the hearing unless the property is required to be retained by the police department for use in any legal proceeding. At the expiration of any such legal proceeding the property shall then be given to the prevailing respondent.

(d) No property seized by the police department pursuant to this section may be given to the prevailing respondent until the expiration of twenty (20) calendar days after the issuance of the hearing officer's decision.

(e) The respondent prevailing at the hearing may be required to sign a receipt for any property returned to him pursuant to this section.

(f) Notwithstanding any other provision of this chapter, a regulated business may not dispose of any property which has been made the subject of a decision by the hearing officer pursuant to this article, except as ordered by a court, the hearing officer, or any peace officer.

(Ord. No. 3002, § 1, 10-21-97)

Sec. 16-603. Limited effect of hearing officer decision.

Nothing in this article shall prevent any person from filing an action in a court of appropriate jurisdiction to establish ownership to the property.
(Ord. No. 3002, § 1, 10-21-97)

Sec. 16-604. Destruction of unclaimed property.

After the expiration of the period provided for in section 16-601(c), articles of no monetary worth which are not needed for prosecution may be summarily destroyed. After the expiration of the periods provided for in section 16-601(c) all remaining unclaimed property which is not needed for prosecution and which is deemed to be of limited value or which is a thing which is commonly not the subject of sale, except firearms, may be destroyed by the police department. All unclaimed firearms, regardless of value, shall be disposed of pursuant to section 16-605.

(Ord. No. 3002, § 1, 10-21-97)

Sec. 16-605. Disposition of unclaimed and forfeited firearms.

(a) Except as provided in subsection (b) of this section, the police department shall dispose of any firearm that comes into its possession and that is not needed for evidence by destroying the firearm after the expiration of the claim periods provided for in section 16-601(c) or after a court orders the firearm forfeited to the city, whichever is applicable.

(b) The police department may dispose of any firearm after the expiration of the claim period provided for in section 16-601(c) or after the court orders the firearm forfeited to the city, by any of the following:

- (1) Use any firearm for the police department's own purposes.
 - (2) Sell, lend or transfer any firearm to any local, state or federal law enforcement agency with expenses for keeping and transferring the firearm to be paid by the recipient.
 - (3) Sell, lend or transfer any firearm to a museum as part of its collection or to an educational institution for education purposes.
 - (4) Sell at public auction or trade any firearm that is a rare or collector quality firearm, as determined by the police department in its sole discretion.
- (c) For purposes of this section, "firearm" means any pistol, revolver, rifle, shotgun or other weapon which will or is designed to or may readily be converted to expel a projectile by the action of an explosive, including weapons in a permanently inoperable condition.

(Ord. No. 3002, § 1, 10-21-97)

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1) Use of the Percent for Arts

In 1989 the City adopted ordinance #2054 setting out a requirement for 1% of the amount budgeted for capital improvements to be appropriated to the fine arts trust fund. This audit would verify compliance with the requirement for appropriation and use of funds.

2) Sculpture in Public Places Program

In 1991 the City adopted ordinance # 2408 setting out the creation of a Sculpture In Public Places Program. This audit would examine the creation, implementation and results of the Sculpture In Public Places Program.

3) Audit of the City's Public Art Collection

Under Contract # 970044, the Scottsdale Cultural Council has certain responsibilities for the oversight of the City's art. This audit would verify compliance with contractual requirements for the care and maintenance of the City's Public Art. As a component, an inventory of artwork would be conducted.

4) Contract with the Scottsdale Cultural Council

In 1997 the City entered into a restated agreement with the Scottsdale Cultural Council for advisory and planning related to arts and culture as well as management of art facilities owned or leased by the City. A performance audit of this contract has not been undertaken; the last previous audit was completed prior to the development of the current arrangement. This audit would not include performance as it relates to the care and custody of the City's public art collection.

5) Use of the Additional Tax Imposed on Transient Lodging

In May 2004, modifications to the City Ordinance changed the allocation of the additional tax (also known as the bed tax) imposed on transient lodging. Under current provisions, 80% of the revenue derived from this tax is to be used for hospitality development (including destination and event promotion), visitor related capital projects, and visitor research. This audit would look at the process used to segregate this revenue source and the expenditures funded with the revenue. Because the Tourism Development Commission serves as the advisory body for use of the funds, the audit would include a review of the process used to forward requests to the Commission, the review process and the subsequent approval by the Council.

6) Collection of Fees at the Airport and Airpark

City Code sets out a requirement for payment of monthly business fees as a condition of operating an aeronautical business at the Airport. Other fees are also set out in the Minimum Operating Standards and the Rates and Fees Schedule. As well, certain leases require payment for use of the facility or land. This audit would look at the procedures in place to grant permits and collect fees.

7) Streetlight Districts

The City has 86 Streetlight Districts established in the SRP service delivery area. These districts exist only as a means to collect funds for the operation of the streetlights. The number of fixtures within a district boundary range from 1 to 166 with monthly service charges ranging from 9.00 to a little over \$3,000 per month. This audit would verify the number of fixtures billed, the rate charged and the accounting method used by Financial Services to set the assessment, track the revenue received and the expenditures paid out.

8) Streetlights

The City has two accounts with SRP for non-district streetlights. Monthly service charge for these fixtures is approximately \$20,400. The cost per fixture varies between the various

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streetlights based on acquisition, size and responsibility for maintenance. This audit would verify billing rate and number of fixtures included.

9) Alarm Permit Fee and False Alarm Service Charges

Scottsdale Revised Code Chapter 3 sets out requirements for alarm permits, service charges for false alarms and fees associated with the failure to obtain a permit. This audit would look at compliance with the requirements to obtain an alarm permit and the process currently in place to collect false alarm service charges.

10) Sheriff Billings

This audit would look at the procedures in place at the Court to reconcile the monthly billings from the Maricopa Sheriff's Office for the housing of prisoners.

11) Collection of Commercial Refuse Fees

The City offers collection of commercial refuse. This audit would examine the establishment of fees, the tracking of city owned containers and related maintenance, and the process used to bill and collect for services rendered.

12) Use of Revenue Collected Under Sec. 24.34 of the City Code "Solid Waste Management Reserve Fund"

A Solid Waste Management Reserve Fund was established in 1992 to "fund existing and future recycling fees, new and pilot municipal recycling efforts, compliance with applicable solid waste environmental laws and regulations, source reduction or other similar activities or programs as deemed necessary in the management and handling of solid waste". Revenue to the fund is generated by a 25 cent per month fee to all residential and commercial refuse accounts as well as each "pull" for a roll-off container. This audit would look at the use of these funds for compliance with requirements set out in ordinance.

13) Collection of Fees for Commercial Roll-off Services

The City's Solid Waste Division provides commercial roll-off services for construction waste or other materials generated by activity at a job or worksite. This audit would look at the fees charged, the collection of service fees and the tracking of deposits.

14) Payroll

This audit would test rate of pay and deductions to the records maintained in Human Resources to verify that 1) pay calculations agreed with rate set at last review and 2) deductions agreed with source documents used to generate the request for deduction.

15) Tracking and Disposal of Surplus City Property, not including Real Estate

City Ordinance places the responsibility for the tracking and disposal of surplus personal property with the Purchasing Director. Departments are responsible for property in the possession of staff assigned to the work area and may declare property surplus. Once the declaration is made, however, the property comes under the purview of the Purchasing Director. To facilitate the re-use of property, the Purchasing Director is to maintain a list of surplus property available for transfer. This audit would look at the process used to track and dispose of surplus property.

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16)Process Used to Set Premiums for Workman's Compensation and Unemployment

The City maintains a "loss trust fund" for the payment of operating expenses related to the risk management program, claims administration, defense services, losses, anticipated losses and insurance premiums. The money appropriated to this fund is to be based on several factors, two of which are workman's compensation and unemployment experience. As an internal service fund, premiums charged to the various city departments/work areas provide the funding source. This audit would look at the process used to establish premiums related to workman's compensation and unemployment.

17)Claims Administration

City Ordinance sets the responsibility for claims administration with the Risk Management Director. When reaching a decision to try a lawsuit, the decision is to be reached with the approval of the City Attorney. If the City Attorney declines to defend a damage claim, the Risk Manager has the authority to select an outside attorney. The ordinance is silent on the process to be used if the City desires to pursue a claim. This audit would look at the controls for claims administration, the process used to initiate a lawsuit and the approval process for settling of claims.

18)Classification and Pay Plan

City ordinance requires the establishment and maintenance of a classification plan. Annually, a Classification and Pay Plan (also known as the Classification/Compensation Plan) is to be approved (by the City Council) setting forth the titles, number of positions and salary maximums for positions. Once approved, the City Manager has authority to make amendments to the Plan any time during the year.

19)Collection of Fees Related to the Installation of Water Meters

For a fee, the City provides the water meter necessary to acquire water service. For meter sizes up to 2", the City is to install the meter and, if desired by the contractor or owner/builder will make the tap, install the connections to the property line. This audit would test the collection of fees related to the purchase of a meter and the installation, if appropriate.

20)Collection of Non-Residential Water and Sewer Development Fees

Nonresidential water and sewer development fees are determined based on estimated water usage and sewer generation provided by the developer prior to construction. Water and sewer usage is to be monitored for three years after the date of the issuance of the certificate of occupancy and, if usage is more than 20% of the estimate, a penalty is to be assessed. This audit would examine the process in place to monitor these agreements and collect any penalties.

21)Tracking of Water and Sewer Development Fees, Credit of Interest and Use of Funds

City Ordinance requires that Water and Sewer Development Fees be tracked separately according to the purpose of the fee and the location of the property (Zone A and Zones B through E). Funds are to be used only for capital improvements for the zone in which the funds were collected from and for the purpose set when the fee was established. Periodically, a capital improvement plan for the water and sewer system improvements is to be presented to Council and projects are to be assigned to each development fee account. This audit would look at the tracking of these fees, compliance with requirements and appropriateness of use.

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22)CDBG

An audit of compliance with federal requirements for participation. While CDBG is included as part of the single audit each year, the scope of that review does not look at oversight issues.

23)Compliance with Fair Labor Standards Act

Federal regulations restrict the nature of job classifications that can be considered exempt from the requirement for payment of overtime. The regulations changed significantly in August 2004 and this audit would look at compliance from the aspect of job classification, determination of hours when paying overtime and approval processes in place to control use of overtime.

24)Bus Cards

As part of the effort towards trip reduction, the City provides Bus Cards for employees that want to use public transportation to and or from work. Each month a bill is sent for trips made using these cards. This audit would look at the procedures in place to review and approve the expenditure to ensure that the City only paid costs related to transportation of city employees to and from work.

25)Handlebar Helper Program

The City co-sponsors a program known as Handlebar Helper by providing staff resources and other assistance. This audit would look at the objectives of the program, outcomes, and cost to the City to participate. As well, controls over donations would be examined to ensure that there are sufficient safeguards to ensure that donations were actually used for program delivery.

26)Software Licensing

An audit of controls used by Information Systems to ensure that only licensed versions of software are installed on city owned computers.

27)Replacement Funding for Computers, Servers and Network Components

The City provides funds for computers, servers and network component replacement through the use of capital project accounts. This audit would look at the process used to establish the appropriation to the three capital project accounts and the use of the funds.

28)Telephone Charges

Audit the procedures used to establish the routine charge to departments/divisions for telephone equipment and usage and the expenditure of funds.

29)Software Licensing and Maintenance

Audit the procedures used to establish the routine charge to departments/divisions for software licensing and maintenance and the expenditure of funds.

30)Sales Tax and Business Licensing Application Project

A pre-implementation review of project planning, general requirements, project management, conversion plans, testing and implementation plans for the new Sales Tax and Business Licensing Application.

31)Follow up of Records Audit

32)Follow up of Property Room Audit

33)Follow up of Take Home Vehicles

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1) Calculation of Medical Leave Pay-off or Conversion

City Code Section 14-83 sets out the provision for employees, at retirement, to receive partial credit for unused medical leave through cash payouts (employees hired before July 1, 1982) or conversion to a funding source that can be used to pay insurance premiums if the employee continues to participate in a city medical plan. This audit would look at the controls in place for the calculation of the pay-off/conversion as well as the tracking of future liabilities associated with future payouts and/or insurance premiums.

2) Collection of Premium Payments for COBRA and Retiree Participants

The City collects insurance premiums from previous employees who elect continuation coverage under COBRA continue participation in city insurance plans under federal requirements and retirees who choose to continue participation after retirement. This audit would look at the controls in place to ensure that premiums are correctly collected, recorded to the correct account as well as the procedures in place to ensure that coverage is terminated appropriately when payment is not received.

3) Controls Over the Use of Funds for the Neighborhood Enhancement Partnership

The Neighborhood Enhancement Partnership Program is a funding opportunity for neighborhood based improvement projects and/or applications that represent a community-based activity or project. For FY04/05 \$75,000 has been allocated and the same amount has been requested for the next budget cycle. This audit would look at the controls over the expenditure of funds.

4) Controls Over the Use of Funds for Plumbing and Landscape Conversion Rebates.

The Water Conservation Program in Water Resources offers rebates for plumbing conversions (toilets and showerheads) in structures built prior to 1992. Rebates are also offered when property, connected to the city's water system, is landscaped with low-water use plants. Funding for rebates for FY04/05 is \$50,000. Through November 2004, \$28,222 has been expended from this account. This audit would look at the controls over the use of the funds and the results achieved.

5) Controls Over the Tracking of Citations.

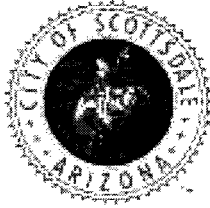
State law sets out a requirement for an appropriate control environment to ensure that each citation issued is deposited with the court having jurisdiction. Once issued, only a Judge can make a determination regarding the disposition of the citation. This audit would look at the controls in place to ensure that unused citations are properly controlled, that issued books of citations are tracked to ensure that each individual citation is returned and the procedures in place to ensure that each issued citation reaches the Court system.

6) Calculation of Downtown EMSD Assessment and Use of Funds.

This audit would look at the calculation used to establish the assessment for the Downtown EMSD to verify compliance with the formula established at inception and audit the use of funds for compliance with provisions setting out the purpose of the assessment.

7) Issuance of Citations for Zoning Violations

City Code provides the authority to issue civil citations for zoning violations. This audit would examine the process under which these citations are issued, the tracking systems in place to ensure that citations are properly accounted for and the collection of any sanctions.



City Auditor's Office

Memo

To: Audit Committee
From: Cheryl Barcala, City Auditor
Date: January 11, 2005
Re: Initiation of Discussion of Performance Measures

To facilitate the discussion of performance measures for the Office I am providing a brief discussion on the purpose of a performance management system as described by the Government Finance Officers Association, a summary of the office purpose, the mission statement that we use, and the performance measures currently in place (Attachment 1).

I am including a summary of the reporting structure for Tempe, Phoenix, Glendale, Maricopa County, and Mesa as well as the latest performance measure information that I have for those organizations. Within the documents you will find a list of suggested performance measures taken from other organizations and presented by the Government Finance Officers Association for consideration (Attachments 2 and 3).

I am providing a copy of a document prepared by the Budget Office for use in preparation of the 2004/05 budget. This document presents information from the Government Finance Officers Association Publication, "An elected Official's Guide to Performance Measurement" (Attachment 4).

Finally, I am including a document prepared and forwarded to Councilman Ecton last May outlining some draft performance measures that could be considered.

Performance Measurement system is intended to provide accountability to citizens regarding the relationship between a program's inputs and its ultimate purpose. It uses performance measurements to assess, monitor and improve the accomplishment of program and service delivery goals and objectives.

Source: "An Elected Official's Guide to Performance Measurement", Government Finance Officers Association

PURPOSE PROGRAM DESCRIPTION – GENERALLY SET OUT IN ENABLING LEGISLATION	GOAL BROAD OPERATIONAL STATEMENT OF WHAT THE PROGRAM IS TO ACHIEVE AT SOME POINT IN THE FUTURE	OBJECTIVE SOMETHING TO ACCOMPLISH IN SPECIFIC, WELL- DEFINED AND MEASURABLE TERMS- ACHIEVABLE WITHIN A SPECIFIED TIME PERIOD	MEASURE OUTPUTS OUTCOMES EFFECTIVENESS EFFICIENCY
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PURPOSE OF THE OFFICE –

Charter – Examine and verify such affairs as the council may direct.

Ordinance – Conduct expanded scope audits of all departments, offices, boards, activities and agencies of the city to independently determine whether:

1. Activities and programs being implemented have been authorized by the city council, state law, or applicable federal law or regulations;
2. Activities and programs are being conducted in a manner contemplated to accomplish the objectives intended by the city council, state law or applicable federal law or regulations;
3. Activities or programs efficiently and effectively serve the purpose intended by the city council, state law or applicable federal law or regulations;
4. Activities and programs are being conducted and funds expended in compliance with applicable laws;
5. Revenues are being properly collected, deposited and accounted for;
6. Resources, including funds, property and personnel are adequately safeguarded, controlled and used in a faithful, effective and efficient manner;
7. Financial and other reports are being provided that disclose fairly and fully all information that is required by law, that is necessary to ascertain the nature and scope of programs and activities and that is necessary to establish a proper basis for evaluating the programs and activities;
8. During course of audit work, there are indications of fraud, abuse or illegal acts; and
9. There are adequate operating and administrative procedures and practices, systems or accounting internal control systems and internal management controls which have been established by management.

MISSION FOR THE OFFICE:

The City Auditor responds to City needs by providing independent research, analysis and consultative and educational services to promote operational efficiency, effectiveness and integrity. The City Auditor's Office also performs the functions of False Alarm Hearing Officer, Property Disposition Hearing Officer and Taxpayer Resolution Officer.

Program Description:

The Internal Audit program conducts expanded scope audits of departments, offices, boards, activities and agencies of the City.

Objectives for 2004/2005:

1. Complete the audits on the 2004 audit plan in a timely, professional manner focusing on improvements in efficiency and program delivery.
2. Continue to adhere to auditing standards by ensuring that staff have appropriate training, outline the objectives sufficiently and carry out the necessary work.
3. Continue to conduct hearings in accordance with regulations in a timely manner.

Performance Measures:**Outputs –**

1. Number of audits performed
2. Number of property hearings held.

Outcomes –

1. Number of recommendations made to City departments as a result of audits.
2. Percentage of recommendations accepted by management.

Surrounding Communities

Tempe –Direct report to City Manager

Measure reported in budget document – number of projects

Phoenix – Report to City Manager

Measures:

- Cost of audit/management services.
- % of audit plan projects completed year-to-date
- % of commitment dates met year-to-date

Glendale –Report to City Manager

Measures:

- % of recommendations implemented by staff
- % of reports distributed to city management and the respective city departments.

Maricopa County – Report to Board of Supervisors

Measures:

Audit Services

- % of IA recommendations concurred with by clients
- % of IA recommendations implemented within three years

Management Services

- % satisfaction rating from customers indicating consulting services delivered by IS helped them do their job
- % satisfaction rating from customers indicating that educational efforts help them do their job more effectively
- % overall approval rating for Internal Audit's strategic information reports by Board of Supervisors and key County management.

Mesa – Report to Manager

No performance measures

Attachment 3**GENERAL GOVERNMENT***Debt Administration*

General government obligation bond rating (Moody's/S & P)
Net debt service reductions due to freeing of reserves (millions \$)
Net gain from escrow swaps (millions \$)
Number of error/delays in debt service payments
Percent of bond insurance projects completed within 120 days
Percent of bond issues prepared timely
Percent of bonds monitored
Present value savings (millions \$)

Internal Audit

Amount of new business license tax revenue generated as a result of revenue audit efforts
Cost savings/revenue enhancement realized
Internal control deficiencies corrected
Operational management records corrected
Overall audit effectiveness survey rating obtained from auditee survey (low = 1, high = 5)
Percent of annual audit goals completed
Percent of audit recommendations which receive audit follow-up
Percent of audit staff with professional certification (CPA, CIA, CISA)
Percent of audits completed on schedule
Percent of bad debts from audit
Percent of completed audit reports resulting in recommendations for improved productivity, cost savings or increased internal control
Percent of completed audit reports which are acceptable to finance director
Percent of reports to county auditor in proper form
Percent of requests for assistance in developing/enhancing system controls and procedures which are responded to and for which a work plan is developed
Percent of requests for assistance in developing/enhancing system controls and procedures which have been addressed
Average cost per audit hour



August 26, 2003

Re: Program Structure and Performance Measure Refinement

Dear Budget Liaisons:

As mentioned during the budget meeting on Monday, August 25, we need to focus our efforts on enhancing the program performance measures and their relationship to the program's goals and objectives in the FY 2004/05 budget process. The use of meaningful and relevant performance measures is a key part of our ongoing effort to engage a broader and more diverse group of citizens in the city's budget process.

Before the budget process kicks into high gear this fall, please review and consider refinements to your current program structure for the FY 2004/05 budget. Some of you have expressed an interest in expanding your programs to better reflect the services offered to your various customers. Further refinement and breaking down your programs will assist you in developing performance measures that appropriately address the specific services provided by a program. Additionally, this refinement will help you to prioritize your programs, which as I noted is another key consideration for the FY 2004/05 budget development process.

After you are comfortable with the program structure, please evaluate the relationship of the program's goals, objectives and performance measures. To assist you with this effort, I am forwarding to you excerpts from the GFOA publication entitled "*An Elected Official's Guide to Performance Measures*". This is a user-friendly guide that provides the reader with a logical process of defining a program, establishing goals and objectives and ultimately linking to a performance measure. As you review your performance measures, I strongly encourage you to work closely with your budget office contact to accomplish this key task in the FY 2004/05 budget development process.

In addition, we would like all center/program changes or additions for FY 2004/05 to be submitted to the Budget Office by **no later than Friday, September 26, 2003**. Please call your budget contact if you need assistance.

August 26, 2003

Thank your for your cooperation and assistance. We look forward to working with you on your FY 2004/05 Program Budget.

Sincerely,

A handwritten signature in black ink, appearing to read "Art Rullo". The signature is fluid and cursive, with the first name "Art" and last name "Rullo" clearly distinguishable.

Art Rullo
Budget Director

cc: Budget Staff

Enclosure

BASIC QUESTIONS

What is a program?

GFOA's publication *The Best of Governmental Budgeting* defines a program as "a group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible". In terms of a specific program, this means that organizational units responsible for administering and managing a program intend to accomplish their specific mission, goal, objectives, and outcomes, such as a comprehensive public safety program (emergency medical services, fire, and police) reducing the per capita fatality rate due to crime. In essence, governmental agencies perform services designed to meet short and long-term goals and objectives and to meet citizen preferences.

FYI...

If you currently have a multifaceted program (i.e., meaning many different services are provided under the "umbrella" of the program), you might consider creating other programs (and a new cost center(s)) that address the essential services provided by the program.

What is the purpose of a program?

Each publicly funded program has a specific purpose and intended outcome. A program's purpose or scope is generally specified in its enabling legislation, intergovernmental agreement, or in its contract with a vendor. For example, a government's public safety program exists to apprehend offenders, decrease crime, and deter criminal activity within the jurisdiction by enforcing ordinances. Some publicly funded programs are mandatory (e.g., education), while others are voluntary (e.g., recreation programs). By specifying a program's mission, program administrators are in a better position to identify subprograms and activities that are relevant to gauging the accomplishment of goals and overall organizational performance. This also helps to establish short- and long-term program goals and objectives.

What is a goal?

GFOA's publication *The Best of Governmental Budgeting* defines a **goal** as "a statement of broad direction purpose or intent based on the needs of the community." Basically, a goal is a broad operational statement of what a program expects to achieve sometime in the future, thus providing a general description of an overall desired end state. For example, a goal can be to have citizens live without the fear of crime. A more narrow goal can be to reduce inner city crime by 10 percent over the next two years.

What is an objective and its criteria?

An **objective** refers to something that is to be accomplished in specific, well-defined, and measurable terms and that is achievable within a specific time frame. From a programmatic perspective, an objective is a defined method to accomplish an established goal.

Objectives should meet the following criteria:

- They should be related to a department's predefined goals (i.e., attaining the objective should move a government toward accomplishing the predefined goal);
- They should be specific to a program or service;
- They should be results-oriented;
- They should be measurable; and,
- They should be attainable within a specified time frame (e.g., six months, one year).

FYI...

Well-written Objectives are **SMART!**

Specific

Measurable

Aggressive but Attainable

Results-oriented

Time-bound

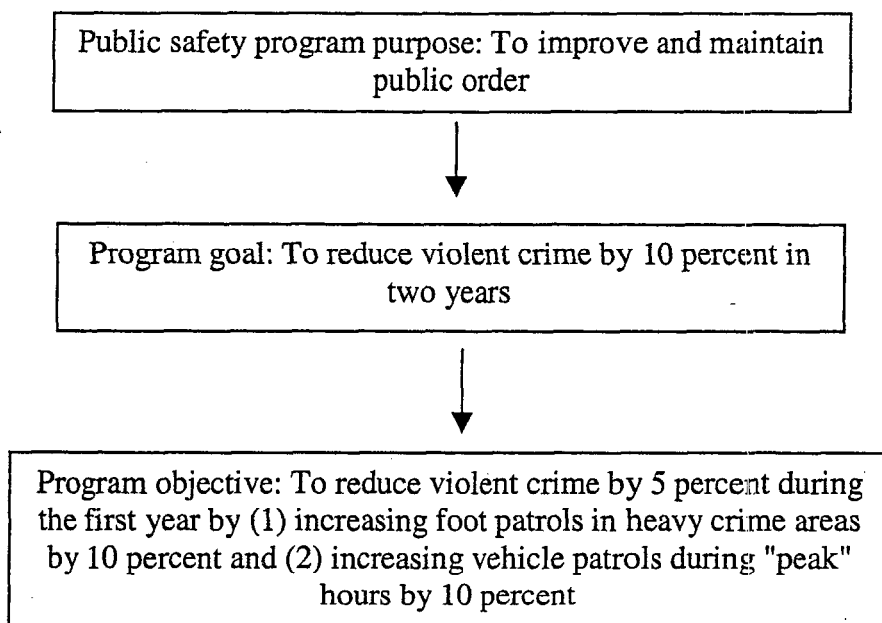
How are program goals and objectives related?

As covered previously, a well-stated objective should relate to a program goal. Because goals are broad statements of what a program wants to achieve, objectives are statements that specify how the goal is to be met. For example, a public safety program may state that its goal is to reduce crime by 10 percent in two years; its objective may be to reduce crime by 5 percent in the first year by increasing the number of foot patrols in heavy crime areas by 10 percent.

Exhibit 1 illustrates the relationship between a program goal and its objectives.

EXHIBIT 1

Relationship Between a Public Safety Goal and Objective



Who are the program's customers?

In recent years, state and local governments have adopted the idea that they should be customer-driven and service-oriented. Because government officials view citizens as customers, these officials have begun transforming their organizations from cold, inert bureaucratic structures into dynamic, effective, efficient, and customer-friendly providers of public goods and services. Additionally, this customer-driven orientation helps program and service managers to:

- Address performance issues related to their scope of service;
- Incorporate customer preferences; and,
- Generate alternative solutions and strategies for improving program performance.

In this service-oriented environment, the citizen-as-customer is an active participant in the production and delivery of public goods. Such citizens also know what is expected from them when receiving public programs and services. In turn, governments are undertaking strategies to meet their customers' needs and preferences.

For government programs and services, customers are the beneficiaries of public goods and services. Operationally, customers represent a percentage of the **target population** (i.e., the individuals that a program or service was designed to serve based on eligibility, need, or demand) who receive and benefit from public goods and services. For instance, in the case of a government's public safety program, the target population is comprised of citizens, businesses, and visitors to the jurisdiction. However, the program's actual customers are the individuals who have received public safety services. Because persons served by governments are often viewed as a captive audience without a choice, the usage of the term customer may seem odd in the

public sector. In reality, however, residents, taxpayers, and visitors exercise their choice by either participating in or abstaining from various programs and services. In the case of public safety, individuals exercise their choice by deciding whether they will report a crime in progress or file charges against an assailant. Furthermore, they have the ability to move out of a jurisdiction if they are dissatisfied with a service.

Performance measurement introduces the concept of the market segment (i.e., those individuals who are potential users of the program or service offered) into the development of customer-based measures (e.g., cost per customer served and the number of customers served by program administrators). Typical terms used to define customers of publicly funded programs include clients, patients, individuals at risk, and, in the case of law enforcement, offenders and victims. To generate reliable and valid performance measures, it is important to identify specific customers of a program.

A critical factor for predicting program success is the extent to which program administrators know the population they serve. Specifically, identifying a program's customer base is essential for creating a profile of the typical client, understanding their needs for services, and for estimating future demand for services.

What are program processes?

Program processes refer to the activities that convert inputs into outputs so that a stated goal and objective can be accomplished. To convert inputs into an output, a program requires service demands to utilize its resources to deliver a service. In a hypothetical public safety example, after a customer reports a crime in progress, typically the police department dispatches a patrol car to the crime scene, which in turn results in the perpetrator's apprehension.

To document program processes, program administrators may use techniques like process mapping to chart and demonstrate the relationship of sequential tasks between several inputs and the outputs they produce. Techniques like process mapping can reveal a "cause and effect" relationship between inputs and outputs that can be used to redesign or reengineer a program. When service delivery involves the coordination between multiple departments, examining program processes is important to minimize service delivery delays and bottlenecks.

What are inputs?

Inputs are resources allocated for performing work processes so that stated goals, objectives and outcomes can be achieved. Generally, program inputs include employee salaries (i.e., labor), equipment (e.g., computers, vehicles, telephones, copiers), materials (e.g., asphalt, concrete), and supplies (e.g., paper, pens). Other inputs may include the rental of conference rooms for employee testing or other activities that are related to performing program activities.

In addition to these inputs, some programs may receive inputs from other departments or units. These inputs should be taken into account when assessing the total cost of providing a program or service. In a line item budget, program inputs are represented by budget appropriations. Exhibit 2 illustrates the line item budget appropriations (i.e., program inputs) for the police department of the city of Oakland, California.

EXHIBIT 2

City of Oakland Police Services Agency

Division	Line Item	1999 Appropriation
Agency Administration	Personnel Services	\$2,802,268
	Operations & Maintenance	1,617,357
	Capital Outlay	0
	Total Budget	\$4,419,625
Investigations	Personal Services	16,804,518
	Operations & Maintenance	1,589,884
	Capital Outlay	179,500
	Total Budget	18,573,902
Services	Personal Services	21,040,274
	Operations & Maintenance	13,661,851
	Capital Outlay	1,133,049
	Total Budget	35,835,174
Field Operations	Personal Services	65,116,407
	Operations & Maintenance	3,563,952
	Capital Outlay	215,002
	Total Budget	68,895,361
	Total Appropriation	\$127,724,062

What are outputs?

Outputs are goods and services performed by a government unit and/or delivered to customers. Outputs can be produced for internal or external customers. Internal customers are recipients of services within the government organization from other departments or units, while external customers are generally residents, taxpayers, businesses, and other governments.

Police departments produce numerous program outputs for external customers, such as:

Activity	Outputs
Enforcing municipal laws and ordinances	Number of infractions processed by type (e.g., traffic violations, disorderly conduct)
Making arrests	Number of investigations conducted
Patrolling streets and neighborhoods	Number of patrols undertaken
Solving crimes	Number of crimes investigated

Within the police department, several units may provide services to other units for conducting investigations, enforcing laws, and achieving the department's goals and objectives. In this case, the internal customers of the police department are the units that receive goods and services from other units within the department, such as:

Police Department Unit	Service	Internal Customer	Output
Communications	Dispatching	Precincts	Number of emergency dispatches by precinct
Human Resources	Recruitment, training, personnel planning	Community Policing Unit	Number of new police officers hired for community policing
Information Technology	Graphic Information Services (GIS)	Community Policing Unit	Number of patrols in high crime areas

What are program outcomes?

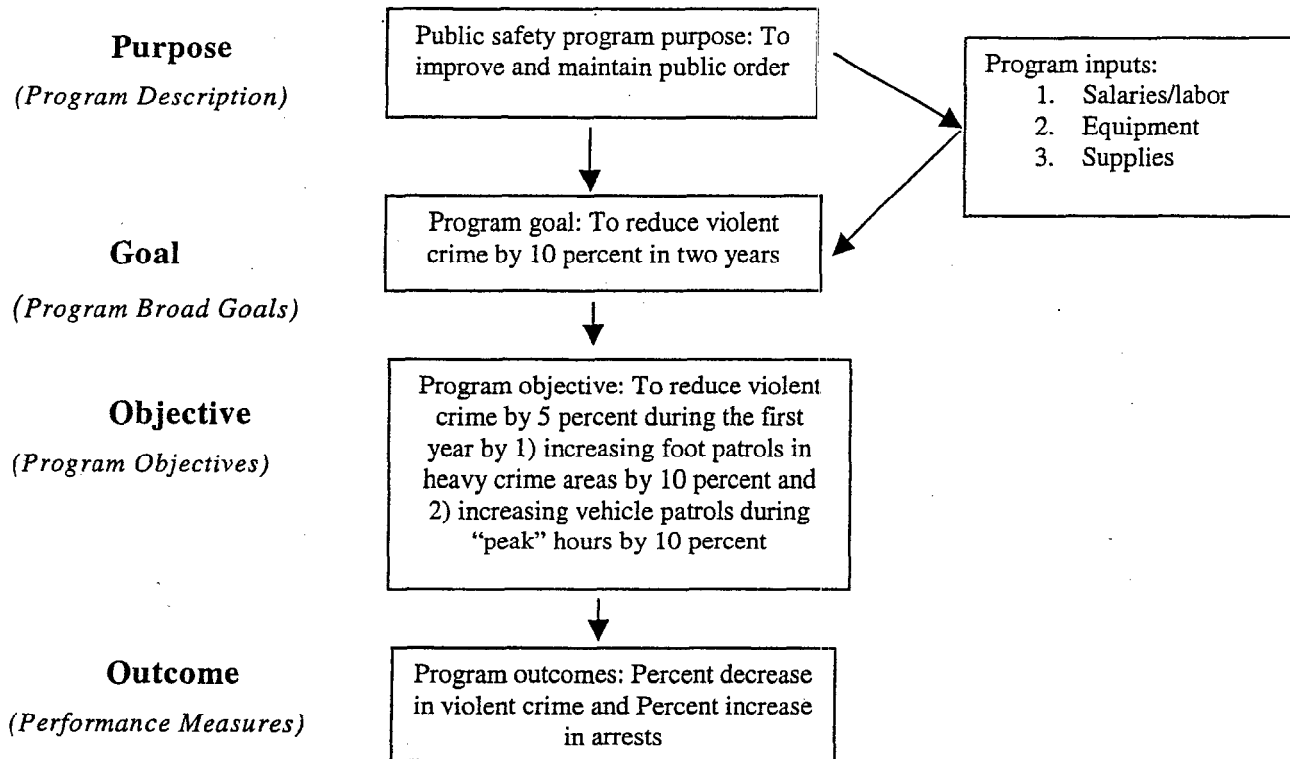
Outcomes are the intended results that should be achieved by a governmental agency or unit responsible for undertaking a specific goal and objective. For a public safety program, one outcome of a community-policing program could be the reduction of the crime rate within a specific neighborhood or geographical area. Another outcome could be an increase in reported crime as community-police relations improve. A third outcome could be a reduction in juvenile delinquency

How are program inputs and outcomes related to goals and objectives?

Exhibit 3 illustrates the relationship between goals, objectives, inputs, and outcomes for a public safety program. As illustrated, inputs are necessary for executing the goal and objective, while the program outcomes indicate the extent to which the objective was achieved.

EXHIBIT 3

Relationship Between Goals, Objectives, Inputs, and Outcomes



What is performance measurement?

Performance measurement is a process for determining how a program is accomplishing its mission, goals, and objectives through the delivery of products, services, or processes. In essence, performance measurement is a systematic process of evaluating outcomes of specific government programs and services that are delivered to customers with respect to effectiveness, efficiency, quality, and return on investment.

What is a performance measure?

A performance measure is a specific quantitative measure or qualitative assessment of results obtained through a program or activity. Put differently, a performance measure summarized the relationship between inputs (1) and outputs (2) in achieving outcomes with respect to effectiveness, cost (efficiency), and quality. Examples of performance measures for police service for the city of Colorado Springs are provided below:

Output	Outcomes	Efficiency
Number of persons crimes investigated: 1,192	Number of persons cases cleared: 963	Number of persons crimes investigated per detective: 52

FYI...

- (1) Inputs – taxpayer dollars.
- (2) Outputs – what did we provide with the taxpayer dollars?

What is a performance standard?

A performance standard is a generally agreed upon minimum level of performance that a government and/or its subdivisions should achieve per a given number of transactions. Performance standards are either set by a government or a professional association. For governments wishing to use established performance standards for particular functions (e.g., finance, human resources, parks and recreation, etc.), many professional organizations have data on their members from which "standards of performance" can be set. This data is generally acquired through professionally developed surveys.

What are the most common types of performance measures used by governments?

Performance measures can be classified into six categories:

1. **Effectiveness.** How well does a government or its departments accomplish its program and service delivery goals and objectives (e.g., the percent of total suspects apprehended by police officers in 1999)? Effective measures assess the degree to which predefined goals and objectives were met within the specified time frame.
2. **Efficiency.** How many resources does a government or its departments consume in achieving their program and service delivery goals and objectives (e.g., the average cost of apprehending suspects by police officers in 1999 given the department's resource allocation for criminal investigations)? Efficiency measures assess the amount of outcome produced per unit amount of resources allocated to performing a predefined goal and objective within a specified time frame.
3. **Outcomes.** Did the government's or its departments' programs and services meet their intended results (e.g., the increase of the police department's arrest rate of suspects from last year for the same amount of resources)?
4. **Outputs.** What did the program or service produce in relation to its inputs (e.g., the number of arrests made by police officers in 1999 given the department's resource allocation for criminal investigations)? Output measures assess the quantity of work performed.

5. Quality. Are internal and external clients satisfied with the performance of the government's programs and service delivery (e.g., the percent of citizens satisfied with the department's methods of apprehending criminal suspects)? Quality measures assess the level of satisfaction of either internal or external customers in relation to goods and services delivered to them.
6. Workload. How many transactions were performed per employee for a particular program or service activity (e.g., the number of cases solved per police detective)? Workload measures assess the level of productivity of program staff in providing goods and services to their customers.

Provided below are examples of public safety performance measures used by the state of Virginia.

Department	Effectiveness	Efficiency
Correctional Education		Cost per student achieving grade level gain
State Police	Number of arrests made by Violent Crime Strike Force	

What are the criteria for performance measures?

To be acceptable, credible, and useful, performance measures need to satisfy the six criteria listed below. Performance measures should be:

- *Comprehensive*. Are the performance measures and their results derived from all of the relevant program and financial information, and do they capture all of the work processes necessary for achieving program outputs and intended outcomes?
- *Meaningful and understandable*. Are the performance measures and their results easily and intuitively understood?
- *Reliable*. Are the performance measures based on the same data sources and information so that they produce consistent results from period to period?
- *Simple*. Are the performance measurements easily calculated and interpreted?
- *Valid*. Do the performance measures accurately assess a program's outcomes and outputs in relation to its stated goals, objectives, and inputs?
- *Verifiable*. Do the performance measures provide an audit trail enabling a reviewer to verify the accuracy and timeliness of the source data?

By meeting these criteria, elected officials and program administrators are ensured that the performance measurement system produces results that are realistic and linked to specific, predefined program and service goals, objectives, and work processes.

Why are performance measures important?

The public continues to believe that government is wasteful with taxpayers' monies and that it manages programs and services ineffectively and inefficiently. To address these concerns about how government manages its programs and services, governments use performance measures to assess:

- How well program goals and objectives are being met;
- How well programs and services are delivered to customers; and,
- Most importantly, whether the jurisdiction is achieving its intended outcomes.

Programmatically, performance measurements help to:

- Develop appropriate program initiatives to improve program performance and service delivery by reengineering work processes;
- Improve budgeting and planning by assessing customer demands for critical programs and services;
- Improve management practices by examining how well resources are being utilized to achieve strategic, performance, and/or process benchmarks;
- Improve program administration and service delivery by identifying deficiencies and implementing enhancement strategies;
- Provide objective feedback on program and service performance;
- Revise programs and services to meet customer demands and ensure quality; and,
- Strengthen accountability by demonstrating to elected officials, administrators, the media, and the public how well governmental departments use tax dollars to provide key programs and services.

What is a performance measurement system, and what does it assess?

A **performance measurement system** is a comprehensive and systematic process of using performance measurements to assess, monitor, and improve the accomplishment of program and service delivery goals and objectives. A comprehensive performance measurement system consists of indicators that answer these questions;

- Are customers satisfied with the program's service delivery?
- Did the program produce outputs consistent with its goals, objectives, and inputs?
- What was the quantity of output in relation to its inputs?
- What were the program's outcomes?
- What were the program costs incurred producing the output?

FYI...

A performance measurement system is intended to provide accountability to citizens regarding the relationship between a program's inputs (tax dollars) and its ultimate purpose (delivery of services in a cost-effective manner that achieve the predetermined goals and objectives within the prescribed time frame). Essentially, did we hit the mark and, if not, why did we miss the mark?

Barcala, Cheryl

From: Barcala, Cheryl
Sent: Monday, May 03, 2004 9:38 AM
To: Ecton, Wayne
Subject: performance measures

Councilman Ecton,

Thank you for taking the time to meet with me last Friday. Here is a draft of the performance measures that we discussed.

Goal: Complete audits according to schedule approved by the Audit Committee.

Measure: % of audits completed according to schedule approved by the Audit Committee.

Goal: Develop recommendations for improved productivity, cost savings, and improved internal controls

Measure: # of recommendations for improved productivity, cost savings and improved internal controls.
% of recommendations accepted by management.

Goal: All senior level and above staff will have at least one professional certification.

Measure: % of staff at the senior level and above with at least one professional certification.

Goal: All staff will adhere to continuing education requirements as set out in the generally accepted government auditing standards.

Measure: % of staff adhering to generally accepted government auditing standards for continuing education.
of continuing education hours per audit staff

Goal: Draft audit report will be reviewed with management within one week of the exit conference.

Measure: % of draft audit reports reviewed with management one week of the exit conference.

Goal: Revisions, if necessary, will be completed within two weeks of 1st review with management.

Measure: % of required revisions completed within two weeks of 1st review with management.

Goal: Provide final draft of report to Audit Committee for review no later than 2 weeks after 1st review with management.

Measure: % of final drafts provided to the Audit Committee for review no later than 2 weeks after 1st review with management.

Goal: Provide final report to Council within 3 working days of receipt of management response.

Measure: % of final reports available to Council within 3 working days of receipt of management response.

Points for Discussion:

Regarding the issue of recommendations.

The reporting standard for performance audits states that the report should include the objectives, scope and methodology; the audit results, including findings, conclusions, and recommendations, as appropriate; a reference to compliance with generally accepted government auditing standards; the views of responsible officials; and, if applicable, the nature of any privileged and confidential information omitted.

The standard goes on to state that, if warranted, auditors should make recommendations for actions to correct problems identified during the audit and to improve programs and operations. Auditors should make recommendations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and

conclusions. Recommendations should logically flow from the finding and conclusions and need to state clearly the actions to be taken. Recommendations to effect compliance with laws and regulations and improve internal control also should be made when significant instances of possible fraud, illegal acts or violations of provisions of contracts or grant agreements are noted or abuse or deficiencies in internal control are found.

Constructive recommendations can encourage improvements in the conduct of government programs and operations. For recommendations to be most constructive, they should be directed at resolving the cause of identified problems, action oriented and specific, addressed to parties that have the authority to act, practical and to the extent feasible, cost effective and measurable.

City ordinance Section 2- 126 states that reports shall include:

- a precise statement of the scope of the audit;
- a statement that the audit was performed in accordance with generally accepted auditing standards;
- a statement that an examination for compliance with applicable laws, policies and regulations was conducted and presentation of the finding associated with that examination is included;
- a statement of significant audit findings with statement of underlying cause, evaluative criteria used and current and prospective significance of the finding;
- a statement that internal control systems were examined where applicable a any material weaknesses found, if appropriate;
- Statements of response submitted by the audit agency
- Corrective actions taken or to be taken as a result of the audit findings and a time table for accomplishment
- Recommendations for additional necessary or desirable action.

Section 2-125 states that the agency response is to include agreement with the findings and recommendations or reasons for disagreement with findings/recommendations, plans for implementing solutions to identified problems and a time table to complete such activities.

The profession of internal auditing is built on a foundation of reporting findings and recommendations for improvement. The Institute for Internal Auditing (the internationally recognized certification association) states that recommendations may suggest approaches to correct existing conditions or improve operations. Recommendations may suggest approaches to correcting or enhancing performance as a guide for management in achieving desired results and may be general or specific.

This is the approach that we have taken towards recommendations. If, in our professional opinion, there is a specific recommendation, we will discussion it with management and attempt to reach consensus on the approach to be taken. The agreed upon course of action will become the recommendation and management can define the timetable for implementation. If there are multiple approaches that will reach the same end result, we will make a recommendation that is general in nature (i.e. consider X or do Y or Z). Management can then respond with the approach that will be taken and the timetable.

If, however, the audit committee desires a different approach we can certainly implement any modification to the structure.

Cheryl

Tracking:

Recipient

Ecton, Wayne
Council Email

Delivery

Delivered: 5/3/2004 9:38 AM
Delivered: 5/3/2004 9:38 AM

Read

Read: 5/3/2004 1:12 PM